

28 OCTOBER 1946

I N D E X
of
WITNESSES

<u>Prosecution's Witnesses</u>	<u>Page</u>
Liebert, John Granville (resumed)	8703
Cross by Mr. Furness (continued)	8703
" " Mr. FUJII	8719
" " Mr. USAMI	8737
" " Mr. Smith	8745

I N D E X
of
EXHIBITS
(none)

Monday, 28 October, 1946

- - -

INTERNATIONAL MILITARY TRIBUNAL
FOR THE FAR EAST
Court House of the Tribunal
War Ministry Building
Tokyo, Japan

The Tribunal met, pursuant to adjournment,
at 0930.

- - -

Appearances:

For the Tribunal, same as before, with the
exception of the HONORABLE R. B. PAL, Member from
India, not sitting.

For the Prosecution Section, same as before.

For the Defense Section, same as before.

The Accused:

All present except OKAWA, Shumie and
MATSUI, Iwane who are represented by their
respective counsel.

- - -

(English to Japanese and Japanese
to English interpretation was made by the
Language Section, IMTFE.)

LIEBERT

CROSS

M
O
r
s
e
&
A
b
r
a
m

1 MARSHAL OF THE COURT: The International
2 Military Tribunal for the Far East is now in session.

3 THE PRESIDENT: Major Furness.

4 J O H N G R A N V I L L E L I E B E R T, called
5 as a witness on behalf of the prosecution, re-
6 sumed the stand and testified as follows:

7 CROSS-EXAMINATION (Continued)

8 BY MR. FURNESS:

9 Q Mr. Liebert, on Saturday I asked you to as-
10 certain the value of the yen in 1931. Have you done
11 so and if so what was it in terms of United States
12 dollars?

13 A I have before me a copy of the Financial and
14 Economic Annual of Japan, 1940. This is printed by
15 the government printing office under the auspices of
16 the Department of Finance and I take it to be authori-
17 tative. At page 198, table 68, rates of foreign ex-
18 change, quotations from Yokohama Specie Bank, it is
19 disclosed that in 1931 the value of the yen per hundred
20 in San Francisco and New York was 49 3/8 per cent;
21 that is, the yen was worth 49 3/8 cents.

22 Q And in November it was worth a little over 23
23 cents, I think you testified on Friday?

24 A That is 1941.

25 Q 1941. Have you any figures or data on the

LIEBERT

CROSS

1 rise in wholesale prices from 1931 to 1941?

2 A I have before me a chart of the retail prices
3 from 1931 to 1939, which I think would be indicative
4 of the information you desire.

5 Q What does that show?

6 A It shows that the retail price average in
7 1930, figuring July, 1914, as the basis of a hundred,
8 that the average retail price in 1930 was 155.1.
9 In 1931 it shows the average retail price was 135.5; in
10 1932, 136.8; in 1934, 148.7. It shows, I think, that
11 the revaluation of the yen, about which we talked
12 last Friday, was not reflected one hundred per cent in
13 the retail prices, but rather the internal prices
14 within Japan proper were not affected at all by such
15 a change.

16 Q But undoubtedly it did affect the prices paid
17 for purchases of goods in foreign countries, for which
18 foreign exchange is necessarily used?

19 A Yes, of course. That was the purpose of the
20 revaluation measure.

21 Q And what does it show in later years?

22 A Well, of course, the average retail price in
23 later years paralleled the inflationary trends of the
24 money. The retail prices rose accordingly. For in-
25 stance, in 1939 the average retail price was 223.6.

LIEBERT

CROSS

1 Q Do you have anything on 1941?

2 A Not before me, but I know that the average
3 retail price continued to spiral upwards as the in-
4 flationary trend progressed. That is normal.

5 Q And wholesale prices would follow the same
6 trend, would they not?

7 A That is right.

8 Q So that in considering the expenditures of
9 the government and all tables showing expenditures of
10 yen in your report and testimony, we should consider
11 that rise in the costs of the things paid for?

12 A That has been taken into consideration, Mr.
13 Furness, because you will recall the charts and the
14 figures in production which I have shown related to
15 unit quantities, that is to say, tons or kiloliters,
16 and I recall that in the comparative figures given for
17 balances of trade it was accounted for in per cents
18 rather than in over-all yen. And on the charts show-
19 ing the percentage of investments of money in light
20 industry as compared with heavy industry that was
21 figured on the basis of money value in 1931 to avoid
22 this discrepancy which might otherwise be latent.

23 Q But there are figures which just represent
24 expenditures, such as the budgets and the raising of
25 funds, which would not reflect it and, in considering

LIEBERT

CROSS

1 these tables, we should take the rise in costs into
2 consideration.

3 A Yes. The budget is expressed in terms of
4 yen without any recalculation of comparative value of
5 the yen, say, in 1941 and in 1931 or 1935. But the
6 devaluation or revaluation of the yen had nothing to do
7 with this increase in yen values. This was purely a
8 result of the inflationary monetary trend within Japan.

9 Q But that inflationary trend, in itself, made
10 it necessary to pay more for the same amount of goods
11 in 1941 than it did in 1937 or in 1931?

12 A Yes, in terms of yen you would pay more for
13 commodities in 1941 than you would in 1935.

14 Q I would like you to look at paragraph 146
15 of your report, page 116 of the English text. The
16 figures in the lefthand column titled, "Total Budget,"
17 they refer to the annual budget of those particular
18 fiscal years, do they not?

19 A That is correct.

20 Q And on that table the fiscal year 1940 shows
21 a large proportionate rise in the total budget but
22 a much lower proportionate rise in the war and navy
23 budgets, is that correct?

24 A Yes.

25 Q Now, you testified that you obtained your

LIEBERT

CROSS

1 figures -- that you inspected three sources of figures
2 on these -- for your report on the budget. Could you
3 tell us what those sources were?

4 A I got the three different -- I say, I got
5 three answers for the same figures from the Ministry
6 of Finance when I asked for the total budget for the
7 years indicated. There are many language difficulties
8 involved in getting exact information, as you can
9 imagine. The budgets, as were given to me, left out
10 certain elements which were desirable to have for lack
11 of understanding. I also got some figures from the
12 Demobilization Ministry with regard to the budget for
13 war expenditures, but they were not nearly complete.

14 Q Where did you get your final figures? How
15 did you work them out?

16 A Final figures were given to me from the Ministry
17 of Finance through the Central Liaison Office.

18 Q Did you check them?

19 A Yes, I did.

20 Q Did you get your total War and Navy budgets
21 from the same source?

22 A I got the war budget and the navy budget and
23 totalled it myself.

24 Q So that your figures on the total budget, on
25 the total war and navy budgets, do not come from the

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

LIEFERT

CROSS

1 budget and the Navy Ministry budget, from the papers
2 supplied to you by the Finance Ministry?

3 A Yes.

4 Q I notice that those figures on the total
5 budget come out to a figure, round figure, of a hundred
6 thousand. The other figures, total war and navy
7 budgets, come out to the yen. How do you account for
8 that?

9 A I make no effort to account for it.

10 Q Now, does the lefthand figure include ex-
11 penditures from reserves and special accounts which
12 are not included in the annual budget?

13 A My understanding is that this budget, ex-
14 pressed as total budget, is the budget appropriations
15 for the fiscal year indicated.
16
17
18
19
20
21
22
23
24
25

LIEBERT

CROSS

L
u
d
a
&
B
a
r
t
o
n

1 Q But under the Japanese system of finance,
2 are there not many special and reserve accounts
3 which are not annually appropriated under the budget?

4 THE PRESIDENT: That is a common feature of
5 all countries.

6 MR. FURNESS: What I am trying to show, sir,
7 is that the figure, total budget, does not represent
8 the total amount of money subject to expenditure during
9 the fiscal year, whereas the figures in the right-
10 hand column probably are.

11 THE PRESIDENT: As a point of information,
12 Major Furness, I would like to know why you are stress-
13 ing or trying to stress the fact that the figures were
14 not obtained from the same source and why they should
15 be less reliable if they were not. I say that in
16 no challenging way, but just to get information.

17 MR. FURNESS: Because in his report he
18 refers to proportionate expenses, proportioning the
19 war and navy expenditures and budgets to a total
20 budget.

21 THE PRESIDENT: He appears to have taken total
22 figures. He would not know how they were made up,
23 would he? I did not understand him to say that he
24 does, so, really, any cross-examination directed along
25 these lines would not be very helpful.

LIEBERT

CROSS

1 MR. FURNESS: I would like to get an ans-
2 wer to my question as to whether this total budget
3 does include expenditures from reserve or special
4 funds accounts not under the budget.

5 THE PRESIDENT: Well, they have to be taken
6 into the budget, because they are annual expenditures
7 although not annually appropriated; take judges'
8 salaries.

9 MR. FURNESS: I think they may not be
10 included in these figures.

11 THE PRESIDENT: Well, if you can tell me
12 why you want to separate them, do so, because it
13 will help a lot. Otherwise, I will be interrupting
14 you.

15 MR. FURNESS: It is simply that I do not
16 think that those figures in the left-hand column
17 represent the total of the expenditures and, therefore,
18 do not show a true proportion.

19 THE PRESIDENT: Well, he does not know, so
20 you will have to give that evidence later, Major.

21 BY MR. FURNESS: (Continued)

22 Q Now, in addition to the annual budget--

23 THE PRESIDENT: Well, we will ask him.

24 I understand that it is questioned whether
25 you do or do not know whether those special funds,

LIEBERT

CROSS

1 those monies secured against consolidated revenue, are
2 or are not included in the budget item, in the total
3 budget figures given by you. We should clear it up
4 once for all time, and save time.

5 THE WITNESS: To the best of my information,
6 these are included in the total budgets that are re-
7 appropriated each year.

8 What I think you want, Major Furness, is
9 how much of the total budget each year was actually
10 expended.

11 MR. FURNESS: If it runs from year to year
12 I am not particularly interested in it.

13 THE PRESIDENT: Does the 19,000,000 for 1941
14 represent actual expenditure in that year?

15 THE WITNESS: It represents the amount avail-
16 able for expenditure in that year under appropriations.

17 THE PRESIDENT: Have you the figures showing
18 actual expenditure over those years?

19 THE WITNESS: I do not have those figures.

20 Q Now, Mr. Liebert, from what date of the year
21 to what date does the fiscal year in Japan run?

22 A The fiscal year begins April 1, ends March 31.

23 Q Of the calendar year, for example, April 1,
24 1941 to March 31, 1942, would represent the fiscal
25 year 1941?

LIEBERT

CROSS

1 A That is right.

2 Q That is correct?

3 A That is correct.

4 Q So that your figure, total budget for the
5 fiscal year 1941, and total of war and navy budgets,
6 represents a period which includes four months, approx-
7 imately four months, after Japan was involved in the
8 Pacific War?

9 A Correct.

10 Q And the total of war and navy budgets include
11 supplemental budgets and appropriations during that
12 period, which represent funds for the prosecution of
13 the war already in existence, rather than preparation
14 for war?

15 A I don't recall any supplementary appropriations
16 or supplemental appropriations after war was commenced
17 in December 1941 which would apply to the total figures
18 of the budget as expressed herein.

19 Q Would you say, then, that there were no
20 supplemental budget bills or appropriations made --
21 appropriation bills passed immediately after the
22 declaration of war?
23

24 A Well, you always have supplemental appro-
25 priations passed by the Liet. I might refer you to
page 15 of document 854, which shows a supplemental

LIEBERT

CROSS

1 budget of the 76th Diet of 47,000,000 yen, the ordi-
2 nary expenses under the jurisdiction of the War
3 Ministry. But you will note from the preceding pages
4 that this is not out of line at all. This is not
5 anything but normal.

6 Q Did you say document 854, or exhibit 854?

7 A Exhibit 854.

8 Q Don't you mean--

9 A The budget.

10 Q --exhibit 859?

11 A I thought it was given a moment ago as 854. It
12 is the budget, the one we are talking about.

13 Q It is document 9023-A, which I think is
14 exhibit 859.

15 A Thank you.

16 Q Now, I suggest that you refer to another
17 page of that exhibit, namely, page 4, and look at the
18 figures there under excess of a budget. Are not all
19 the figures subsequent to December 6, 1941, appro-
20 priations in excess of the budget after war was
21 declared?

22 When I say in excess of the budget, I mean
23 in excess of the annual budget which was passed at
24 the end of the preceding fiscal year; in other words,
25 before March 31, 1941.

LIEBERT

CROSS

1 A Do I take it that you mean that the funds of
2 the budget were exhausted in December 7, and more
3 money was appropriated as a furtherance of the war
4 effort after that date, between December 7, '41, and
5 March 1942?

6 Q Yes, that is exactly what I mean.

7 A Well, I think you will find on the same page,
8 page 4, what you call "excess of a budget" was an
9 authorized expenditure of 90,000,000 yen on Novem-
10 ber 5, 1941, which appears as the last figure in that
11 column of "Excess over Budget."

12 Q I find that.

13 A I can't tell from this reference whether
14 that is an excess expenditure or whether that is a
15 reserve left over unexpended.

16 Q Well, there are many that much larger figures
17 subsequent to December 8, 1941. Do not those repre-
18 sent money which was appropriated in order to finance
19 a war in existence, rather than any preparation for
20 war or national defense?

21 A No, I don't think so. This simply represents
22 money already appropriated that was expended. The fact
23 that the war happened or commenced in December 7 had
24 nothing to do with the original appropriation for
25 conduct of war in the sense that you mean.

LIEBERT

CROSS

1 Q The figures on that page -- apparently they
2 refer in part to the 77th Diet and 78th Diet. Do not
3 they represent supplemental appropriations, supple-
4 mental budget, passed by them?

5 A Oh, no, no. These were releases of money or
6 authorizations to expend money from the extra-
7 ordinary war expenditures account.

8 If you will note on page 1, the budget for the
9 Ministry of War is broken down into two -- into three
10 accounts, the general account, war expenditure account,
11 and special accounts. According to the note, the
12 special accounts mostly duplicate the general account
13 and/or the war expenditure account, and, therefore,
14 have been eliminated from the total. These things
15 have to do with the maintenance of arsenals, woolen
16 plants, shoe factories, and many things which the
17 army owns as incidental to the work of carrying on
18 an army.

19 THE PRESIDENT: I think we fully appreciate
20 your point, Major, that a large part of that
21 17,000,000 for 1941 would have represented actual
22 expenditure on the war itself. Likewise, the
23 15,000,000 which was appropriated for the army and the
24 navy.

25 MR. FURNESS: That was exactly what I wanted

LIEBERT

CROSS

1 to bring out. If the Tribunal is satisfied, I am.

2 THE PRESIDENT: I said we see your point,
3 and I don't think you can make it any clearer by
4 continuing to ask questions of this witness, because
5 he doesn't know.
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

LIEBERT

CROSS

W
O
l
f
&
S
p
r
a
t
t

1 Q Have you also in later, subsequent pages
2 of your report given figures on the raising of funds
3 through national loan bonds and other means? These
4 include, do they not, funds raised for the fiscal
5 year 1941, including a period of four months during
6 which Japan was at war?

7 A Total national fund amounts to include the
8 fiscal year were expressed as of 1941, which would
9 take into consideration bonds which might have been
10 sold after December 7, 1937 until March 1941.

11 Q And the same would be true of other tables
12 and figures in your entire report and supporting
13 papers which refer to the fiscal year 1941?

14 A With the fiscal year, as expressed in
15 relation to government matters and government tables,
16 it would include a small fraction in the beginning
17 of the year 1942.

18 Q And about a twelfth of the year 1941, the
19 fraction being about one-third of a year?

20 A That is correct.

21 Q Now, the budgets for the years 1937, 1938, 1939
22 and 1940 are years in which Japan was deeply involved
23 in the China incident, were they not?

24 A That is a fact.

25 Q And in considering your report and the

LIEBERT

CROSS

1 supporting figures, we should take into account that
2 they represent expenditures which include that?

3 A These figures reflect that period of time and
4 must necessarily include whatever was done during those
5 years by the government.

6 MR. FURNESS: Thank you.

7 MR. FUJII: I am counsel FUJII.

8 THE PRESIDENT: Counsel FUJII.

9 CROSS-EXAMINATION (Continued)

10 BY MR. FUJII:

11 Q Looking at the proof of your statement,
12 paragraphs one and two, I find that you divide Japan's
13 economy into peacetime economy and wartime economy.
14 When do you consider that Japan entered wartime economy?

15 THE PRESIDENT: Did you mean anything more
16 than military operations? Answer me.

17 THE WITNESS: Yes, I did. I think the com-
18 mencement of preparations for war might date back to
19 February 1936, at least in the financial field. We see
20 the commencement of industrial activity which I would
21 class as general preparation of industry, which, if not
22 directed for the purpose of preparing for war, certainly
23 was very useful in the light of subsequent events, most
24 particularly when we find an admission of plans for the
25 preparation of industry and the making of war back as

LIEBERT

CROSS

1 early as 1936, according to Mr. SATO.

2 Q Do you admit that the year 1936 was the year
3 in which the final Japanese Incident was in progress
4 and nobody knew when that incident will be terminated?

5 A 1936?

6 Q In 1937.

7 A 1937 was the date of the China Incident.

8 Q Then, as Mr. Furness asked you sometime ago
9 in exhibit 842 and in related documents, whenever you
10 refer to a year you always mean the financial year --
11 fiscal year -- which begins on April 1 and ends on
12 March 31 of the following year; is that not so?

13 A Yes.

14 Q Therefore, when you stated in your prepared
15 statement that plans for the expansion of production
16 were -- that a plan for the expansion of production --
17 to be completed by 1941 was expressed, that meant
18 that that plan was to be completed by March 1941; is
19 that not so?

20 THE MONITOR: March 1942, fiscal year.

21 A I would assume so, although it is not defi-
22 nitely expressed in the plan. It says the end of the
23 year.

24 Q And also, are you aware that there are some
25 commodities whose production -- some plants which were

LIEBERT

CROSS

1 not expected to be completed by the end of the fiscal
2 year 1941, that is, which would continue even into
3 1942?

4 THE MONITOR: Even after March 1942.

5 A Well, I can't express a conclusion as to
6 whether the plans as set forth by the Planning Board
7 mean these plants will be completed by March 1942 or
8 by the end of the year 1941. They are simply set out
9 in terms of years. We usually, for business purposes
10 however, consider the end of a production year as
11 December 31 of that year, but I have no way of know-
12 ing whether the plans as set forth here mean the end
13 of a fiscal year or a production year. I expect that
14 they would mean the end of a production year so far
15 as the building up of an industry is concerned.

16 THE PRESIDENT: My colleague points out to me
17 that the army Five-Year Plan was to be completed by
18 the end of the 1941 fiscal year. See page 3 of
19 exhibit 841.

20 We will recess for fifteen minutes.

21 (Whereupon, at 1045 a recess was
22 taken until 1100, after which the proceedings
23 were resumed as follows:)
24
25

LIEBERT

CROSS

Y
e
l
d
e
n
&
G
o
l
d
b
e
r
g

1 MARSHAL OF THE COURT: The International
2 Military Tribunal for the Far East is now resumed.

3 THE PRESIDENT: Counsel FUJII.

4 BY MR. FUJII (Continued):

5 Q The President asked you a question just
6 before the recess --

7 THE PRESIDENT: Better stand or put some-
8 body at the lectern.

9 Q (Continuing): In order to make sure of this
10 point I would like to ask you again. In your pre-
11 pared statement and also in exhibit 842, A Plan for
12 the Expansion in Production of Major Industries, the
13 various years referred to in those statements, do
14 not all these years, for instance, 1937, 1938, 1941,
15 and so forth, mean the fiscal year, that is, from
16 April 1 to March 31 of the next year?

17 THE PRESIDENT: He said so already, unless
18 I grossly misunderstood him twice.

19 Q In paragraph 60 of your prepared statement
20 you stated that the outlining of the plan for the
21 expansion of productive power specifically set goals
22 to be reached by the end of 1941. Does that mean that
23 the goal was set specifically to attain these plans
24 by the end of the year 1941?

25 THE MONITOR: In other words, December 31, 1941,

LIEBERT

CROSS

1 is that what you mean?

2 A I think -- I mean by the end of December, 1941,
3 or the end of the year for production purpose. We
4 speak in the plan -- all of those plans referred to
5 except the outline of the five-year plan for the
6 production of war materials which was referred to as
7 document 9002, or exhibit 841 --

8 To get the thought straight: All of the
9 plans except exhibit 841 refer to the end of the
10 year generally; 841 is the only plan which says
11 "by the end of the fiscal year."

12 Q Then I shall understand it to be so.

13 Then in paragraph 34 of your prepared state-
14 ment concerning alcohol, do you admit that the Japanese
15 Government announced a seven-year program concerning
16 the production of alcohol in 1936?

17 A Yes, to read from the statement: "In 1936
18 the Japanese Government announced a seven-year pro-
19 gram whereby production of Japan proper would be
20 increased to 39,000,000 gallons a year by 1941."
21 That was part of the program.

22 Q Next, paragraph 25 of your prepared statement,
23 the production of synthetic petroleum, do not these
24 plans call for the -- was not the goal of this plan
25 intended to be reached in 1943?

LIEBERT

CROSS

1 THE MONITOR: By the end of 1943?

2 A Yes, the plan referred to in paragraph 25,
3 but that is a plan for the development of production
4 in Manchuria. That is a separate plan entirely.

5 Q But according to your prepared statement, do
6 you not say that plans for Manchuria mean practically
7 the same thing as plans for Japan itself?

8 A That is true, but I have broken this state-
9 ment down to distinguish between productions in
10 Manchuria and productions in Japan, and speak generally
11 of productions for Japan in preparation for war at
12 other places. We have to be both general and specific.

13 Q Then you do not take the view that concerning
14 the production of synthetic petroleum, plans for
15 Manchuria would mean the same thing as plans for Japan?

16 THE MONITOR: Slight addition: Plans for
17 Japan means plans for Manchuria, which, in turn, means
18 plans for Japan; isn't that your view? Don't you
19 take that view?

20 A Yes, plans for production in Manchuria
21 would contribute to the benefit of Japan as in its
22 rounded economy because it controlled the Manchurian
23 production. Here, where I have referred to plans for
24 Japan, I mean plans for Japan proper: and when I have
25 referred to plans for Manchuria, I mean plans for

LIEBERT

CROSS

1 production in Manchuria. In this particular instance
2 I have later on shown how the production of synthetic
3 petroleum from shale oil in Manchuria did not
4 necessarily reflect to the benefit of Japan proper
5 because it was used in Manchuria.

6 Q Then do you agree that the plans for the
7 increase in production of alcohol or plans for the
8 increase in production of synthetic petroleum both
9 called for the attainment of their goals in years
10 later than March 31, 1942, in your prepared statement,
11 exhibit 842?

12 THE MONITOR: In other words, examples or
13 plans which are scheduled to be completed after March,
14 1942?

15 A The Japanese plan for the production of
16 alcohol had a goal of 1941. I assume that to be
17 the end of 1941 in the absence of any information
18 which I have seen referring to it as the fiscal year.
19 The plan for the production of synthetic petroleum
20 from shale oil in Manchuria had a goal, 1943.

21 MR. FUJII: I feel that the witness has not
22 made sufficient investigations on this point, but I
23 will not question him further on this point.

24 Q What do you mean when you use the term
25 "expansion of productive power" in your prepared

LIEBERT

CROSS

1 statement?

2 A Expansion of industrial potential, expansion
3 of the ability to produce.

4 Q Then, specifically, do you not mean the
5 establishment of factories, the installation of
6 machines, the expansion of electric power, and so
7 forth?

8 A I do mean that, and I --

9 Q Then are you aware that many of the plans
10 for the production -- for an expansion in productive
11 power, concerning which you have testified in your
12 prepared statement, relied on materials from abroad
13 as their basis?

14 A That is true, but --

15 Q Then do you know that, for instance,
16 bauxite which is used in making aluminum was to be
17 imported from the South Seas, that copper ore was to
18 be imported from Canada, North America and South
19 America, and that lead ore was to be imported from
20 Australia and South America?

21 A Yes, and I also know that it was because of
22 the failure of certain of these imports that Japan
23 did not meet certain of her planned production schedules.
24 But, I would like to request, Mr. Attorney, that in
25 considering this we must distinguish carefully between

LIEBERT

CROSS

1 plans for building factories and plants for the
2 expansion of production and actual plans to achieve
3 production from indigenous sources.

4 Q Is it not true then, that, for instance,
5 in the production of aluminum, in the drafting of
6 plans for an increase in production of aluminum,
7 copper and lead, a prerequisite for the accomplish-
8 ment of these plans was that imports from abroad
9 should not be stopped?

10 THE MONITOR: In other words, were those
11 plans made -- or expansion plans made on the supposi-
12 tion that as far as the supply of aluminum, copper
13 and lead ores are concerned, supplies from abroad
14 would not be cut?

15 A No. Let me explain. The plans for increasing
16 production, as I have outlined in the essentials of
17 the five-year plan and other plans, is to increase
18 the productive capacity of Japan, Manchuria and China,
19 as a unit so that this unity would not be dependent up-
20 on outside countries or outside sources for their
21 materials. The plans of the Planning Board to achieve
22 certain production during the years involved, which I
23 have not cited here but have referred to, show a
24 reliance upon imports to achieve the specific production,
25 to further other plans for total production of the end

LIEBERT

CROSS

1 products.

2 Q According to Part III of exhibit 842, pros-
3 ecution document 1522, which is a summary of program
4 for extension of productive capacity prepared by the
5 Planning Board, January, 1939, the goal set for the
6 production of aluminum in one year, in 1941, was
7 126,400 metric tons; that of copper was 179,000 tons;
8 and that of lead was 35,550 metric tons. Do you
9 believe that when this plan was drafted, it was in-
10 tended that it would be completed relying solely on
11 the natural resources of Japan, Manchuria and China?

12 A Yes, when it was drafted, it was intended to
13 increase the indigenous production.
14
15
16
17
18
19
20
21
22
23
24
25

LIBBERT

CROSS

G
r
e
e
n
b
e
r
g
&
L
i
b
e
r

1 Q Then do you mean to say that plans for import
2 of natural resources -- of these resources, from South
3 America and from Australia, in other words, from
4 countries outside of Japan, Manchuria and China, were
5 not included in this plan?

6 A That is correct. This plan was made -- if I
7 might refer you to the paragraph sub 3, of major
8 paragraph 1 on page 1, this plan aims at the establish-
9 ment of self-sufficiency in regard to important re-
10 sources within the sphere of our influence and there-
11 by avoid dependency upon the resources of a third
12 power, as far as possible, in time of an emergency.
13 It was not contemplated, Mr. Attorney, that during
14 the period of the execution of this plan that imports
15 of copper, lead and aluminum from other countries
16 would be stopped. Not at all.

17 MR. FUJII: I hope to have an opportunity to
18 prove my point later concerning this.

19 Q According to paragraph 9 of your prepared
20 statement, the Manchurian Heavy Industry Development
21 Corporation was to control the expansion of electric
22 power -- was to control directly the expansion of
23 electric power and electric equipment. The part of
24 its duties were to control directly production of
25

LIEBERT

CROSS

1 power and production of installations -- equipments
2 of those plants and production of those installations
3 -- those equipments and their control. I cite this
4 as one example of your insufficient investigation.

5 THE PRESIDENT: That company and four others.

6 THE WITNESS: Would you repeat that?

7 (Whereupon, the President's statement
8 was read by the official court reporter.)

9 THE PRESIDENT: He picked out one and said
10 that company was to control it. There are others
11 mentioned besides, four at least.

12 BY MR. FUJII (Continued):

13 Q The Manchurian Heavy Industry Development
14 Corporation.

15 A Yes. The one of the purposes of the Man-
16 churian Heavy Industry Development Corporation was to
17 expand the power facilities. They built dams for
18 hydroelectric power, and that sort of thing, to ex-
19 pand the electric power facilities in Manchuria.

20 Q I shall cease my questioning at this point,
21 although I believe you are mistaken.

22 THE PRESIDENT: Those comments are not
23 called for and quite unusual in any Court that I am
24 accustomed to.
25

1 Q In paragraph 12 of your prepared statement
2 you say that the Diet passed the Petroleum Control
3 Law in 1934, et cetera, et cetera. Is it not true
4 that in every country where the natural resources
5 of petroleum is insufficient the government tries to
6 insure a sufficient reserve of oil by promulgating
7 those control laws?

8 A I can't tell you what happens in every
9 country, but it did happen in Japan.

10 Q In any country where the production of
11 petroleum is insufficient. In any country.

12 A I don't know what the question is, but if
13 you mean to ask me do I know whether it is a usual
14 practice for countries having deficiencies of petrol-
15 eum to stock pile petroleum against an emergency, I
16 don't know.

17 Q Although there already has been cross-
18 examination on the organization of the Planning Board,
19 I wish to ask you a few more questions in order to
20 clarify this point. This concerns paragraph 100 of
21 your prepared statement.

22 Is it not true that the Planning Board
23 merely drafts laws and programs -- for instance, the
24 program for the expansion of productive power -- and
25

25 Q The
control associations is appointed by the

LIBERT

CROSS

1 that the actual execution of these programs must
2 first -- that in order to actually execute these
3 programs it must first be passed by the Cabinet and
4 then each Minister carries out that part of the pro-
5 gram which falls within the sphere of his Ministry?

6 A That is correct.

7 Q You have stated in this paragraph that the
8 president of each control association, each control
9 organization, had to be nominated by the government.
10 What do you mean by the "government," specifically,
11 in this case?

12 A I don't mean nominated by the government.
13 I said nominated by the industry. I see what you
14 mean. No, I mean selected and appointed by the indus-
15 try and approved by the government. I use the word
16 "nominate" in that sense.

17 THE PRESIDENT: What you said, which really
18 doesn't matter much, was this: The system established
19 provided that each industrial control association
20 should nominate a president, who would be appointed
21 by the government. Each individual control associa-
22 tion should nominate a president, who would be ap-
23 pointed by the government.

24 Q The president of each of the industrial
25 control associations is appointed by the Minister of

LIEBERT

CROSS

1 Commerce and Industry, and is not appointed -- and
2 the President of the Planning Board has nothing to
3 do with his appointment. Is that so?

4 A The Cabinet Ministries --

5 BRIGADIER QUILLIAM: May it please the
6 Tribunal, as I have said before, I am very reluctant
7 to interrupt in these circumstances, but I do suggest
8 that this line of cross-examination is quite irrele-
9 vant and is an undue waste of time. I ask, there-
10 fore, that that type of question be disallowed.

11 THE PRESIDENT: In my country an appointment
12 by a Minister is an appointment by the government.
13 That is the decision of our own high court of Aus-
14 tralia. I do not know what it would be in Japan.
15 However, I am sure that my colleagues do not desire
16 that point to be elaborated. The objection is up-
17 held.

18 BY MR. FUJII (Continued):

19 Q In your statement you have said that the
20 fixing of production plans, the allocation of
21 materials to individual plants to effect planned pro-
22 duction, the nomination of sale of all products, the
23 establishment of wage policies, and the fixing of
24 prices within each industry, was made pursuant to the
25 joint planning of the heads of the control associa-

LIEBERT

CROSS

1 tions and the Planning Board, who united policy and
2 production.

3 Do you know that the allocation of these
4 materials was not done by the joint planning of the
5 heads of the control associations and the Planning
6 Board, but that it was done by the order of the
7 Minister of Commerce and Industry.

8 A The fixing of the allocations to various
9 plants was done within the control association. Let
10 me illustrate. If Plant A had a capacity of so many
11 units of production, the allocation of materials to
12 be allowed to that plant was fixed within the associa-
13 tion, and the conclusions of that association were
14 passed in to the Planning Board. If it was determined
15 within the Planning Board that the unit commodities
16 or the end production of Plant A were to be produced
17 100 per cent as a matter of policy, then the alloca-
18 tions came as a matter of course to that plant.
19 Since the general control of certain commodities
20 came under the bureaus located within the Ministry
21 of Commerce and Industry, they were notified accord-
22 ingly and, I believe, rubber-stamped these alloca-
23 tions to clear their departments.

24 I insist that the Planning Board suggests
25 laws and is not an organ for their execution.

LIEBERT

CROSS

1 THE MONITOR: Not "laws," but "plans."

2 A I don't wish to convey the impression
3 that the Planning Board in itself executed, as an
4 executive agency, specific allocations. They were a
5 board directly under the Prime Minister, which was a
6 coordinating agency. Advices and recommendations to
7 the Ministers, following the policies coordinated
8 within the Planning Board, were sent out.

9 Q The next paragraph, 106, of your prepared
10 statement. Do you mean to say in this paragraph
11 that since -- paragraph 106, "Integration of Terri-
12 tories" -- do you mean to say in this paragraph
13 that, after the Japanese Army had conquered Man-
14 churia, Bank of Chosen notes were gradually with-
15 drawn and notes of the Central Bank of Manchuria
16 were issued, and that the area in which the notes of
17 the Central Bank of Manchuria should circulate was
18 expanded?

19 A The expansion of the note issues of the
20 Bank of Chosen during the Manchurian campaign from
21 75 million yen to 222 million yen, caused an in-
22 flationary policy in Manchuria, and, of course, these
23 notes were withdrawn from circulation. When the
24 Central Bank of Manchoukuo was initiated as the
25 banking organ of the puppet government, its notes

LIEBERT

CROSS

1 were put into circulation because there hadn't been
2 any Central Bank of Manchoukuo prior to the insti-
3 tution of the puppet government of Manchoukuo, and
4 these notes circulated as the medium of exchange in
5 that territory. Prior to the institution of the Bank
6 of Manchoukuo, the notes of the Bank of Chosen --
7 the Bank of Chosen issued most of the notes which
8 circulated in Manchuria.

9 Q Although you say in this paragraph that the
10 notes of the Bank of Chosen were gradually with-
11 drawn, when we look at the chart in paragraph 149
12 we find that whereas, at the end of 1935, notes of
13 the Bank of Chosen in circulation were 222 million
14 yen, in 1936, which is the following year, there
15 were 212 million yen, which represents a decrease of
16 only 10 million yen. Do you admit this?

17 THE PRESIDENT: Well, he said there was a
18 gradual decrease. I do not know why you are asking
19 him that question.

20 We will recess now until half past one.

21 (Whereupon, at 1200, a recess was
22 taken.)

23 - - -
24
25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

LIEBERT

CROSS

A
b
r
a
m
&
M
o
r
s
e

AFTERNOON SESSION

The Tribunal met, pursuant to recess, at 1330.

MARSHAL OF THE COURT: The International Military Tribunal for the Far East is now resumed.

JOHN GRANVILLE LIEBERT, called as a witness on behalf of the prosecution, resumed the stand and testified as follows:

MR. USAMI: USAMI, appearing for the accused HIRANUMA, please.

THE PRESIDENT: Counsel USAMI.

CROSS-EXAMINATION (Continued)

BY MR. USAMI:

Q Mr. Witness, I refer you to page 82 of your prepared statement. Do you have it there? Now, under the heading of "Financial Preparation" at the top of the page, paragraph 105, you state: "Under the Japanese form of totalitarian Imperialism financial controls for the years immediately preceding 1941 were designed for two purposes." First, I would like to ask you, Mr. Witness, whether this heading "Financial Preparation" is a heading or not covering the full heading "Integration of Territories"? Are they separate?

A Paragraph sub-1 of 105 says that one of the purposes designed for -- was to integrate the dependent

LIEBERT

CROSS

1 territories into the economic system of Japan. To make
2 it easier reading I used the sub-heading "Integration
3 of Territories," which relates to the very first part
4 of paragraph 1, to integrate dependent territories.

5 Q Thank you. Will you please, Mr. Witness, tell
6 us in preparing your statement how many years roughly
7 did you allow to be the years immediately preceding
8 1941?

9 A I have in general in this connection, financial
10 preparations, considered the period from 1931 to
11 1941. For instance, in the integration of Manchuria
12 I have, as expressed here, started in 1931, the Man-
13 churian Incident," and inter-related the provisions
14 of the plans which I have put into evidence as ex-
15 hibits, plans which pertain to the following years,
16 all after 1931, with regard to Manchuria, China, and
17 so forth. I have, of course, made reference to Chosen,
18 or Korea, and Formosa, historically, to show their
19 position at the time further integration took place,
20 so that we would get the picture clearly in mind
21 when we discussed the final problem of financial
22 preparation.

23 Q I refer you, Mr. Witness, now to the fol-
24 lowing page, page 83 of your prepared statement,
25 paragraph 107, please. I quote: "After the

LIEBERT

CROSS

1 establishment of the Manchukuo Government an agree-
2 ment was entered into, between the Imperial Japanese
3 Government and the Imperial Government of Manchukuo
4 which, politically as well as practically, bound the
5 economies of the two nations". This particular agreement,
6 according to your answer just given, falls under No
7 1 of these two purposes referred to in paragraph 105,
8 does it?

9 A That is correct.

10 Q I now want you to look at the document, IPS
11 document 858A, exhibit 850. Will you please point --
12 which specific part of this document points to show --
13 I mean what specific part of this document shows that
14 this particular agreement between Manchukuo and Japan
15 had the purpose of No. 1 of paragraph 105?

16 A This agreement, which is shown in the document,
17 provides for a joint committee presumably to exercise
18 control over the economic matters between Japan and
19 Manchukuo.

20 THE PRESIDENT: You mean a financial or
21 economic integration?

22 THE WITNESS: Yes.

23 THE PRESIDENT: Obviously, not a physical one.

24 THE WITNESS: That is exactly so, and I de-
25 sired that this document which is dated the 17th of

LIEBERT

CROSS

1 July, be read in the light of a secret meeting of the
2 Privy Council of Japan held on 3 July. The Privy Coun-
3 cil meeting discloses, as I have shown the Tribunal,
4 that it was never intended that this joint economic
5 committee should in any way represent Manchuria in a
6 fair light when any matter came up before it.

7 THE PRESIDENT: Perhaps you didn't even in-
8 tend a political integration. Whither are we going so
9 very slowly, counsel USAMI?

10 MR. USAMI: Mr. Witness, you just said -- may
11 I proceed now?

12 THE PRESIDENT: I would like to know what you
13 are trying to get at.

14 MR. USAMI: I hope it will be clear soon,
15 your Honor.

16 THE PRESIDENT: It is far from clear at
17 present.

18 BY MR. USAMI: (Continued)

19 Q You just mentioned, Mr. Witness, a secret
20 meeting of the Privy Council, and I notice the word
21 "secret" appears on the top of the document 875A, but
22 it does not appear in the Japanese original.

23 A Well, I was informed from my translation
24 that this was a secret meeting, but it seems to me of
25 very little importance, since the matter contained

LIEBERT

CROSS

1 is the part that is pertinent to the point I wish to
2 make.

3 Q Did you come across, during the course of
4 your investigation -- come across any evidence showing
5 that these Government officials who attended this
6 Privy Council meeting had in their mind a war as the
7 ultimate aim of this agreement?

8 BRIGADIER QUILLIAM: May it please the Tri-
9 bunal, in view of the ruling given by the Tribunal
10 several times last week, I suggest that that matter
11 is a conclusion to be drawn by the Tribunal and not
12 by the witness.

13 MR. USAMI: My question does not ask the
14 witness to draw a conclusion. I simply asked whether
15 the witness did find documents or other sources of
16 information to show that these government officials
17 who participated in this agreement had in their mind a
18 war as an ultimate aim of this agreement.

19 THE PRESIDENT: He knows no more about that
20 than the documents show, and we will have to draw the
21 inferences, as Brigadier Quilliam says, and as we
22 have reminded you several times.

23 Q These two documents mentioned in your state-
24 ment, paragraph 107, IPS document 2196A and 875A, are
25 these the only documents you based your report on?

LIEBERT

CROSS

1 regarding this agreement between Manchukuo and Japan?

2 A I have read many documents concerning this
3 agreement, but I assumed that the agreement itself
4 and the meeting of the Privy Council relating to it
5 was the epitome of clarity on this matter.

6 Q Then I would like to know, if the Tribunal
7 allows me to, whether you have read any other docu-
8 ments to show that the Japanese Government and Man-
9 chukuo Government had in their mind a war, a future
10 war, in concluding this particular agreement.

11 THE PRESIDENT: In the absence of any answer
12 we would conclude that he didn't see any such docu-
13 ment, but if you want to risk an unfavorable answer
14 you may do so.

15 MR. USAMI: I would like to have your answer,
16 Mr. Witness.

17 A Concerning the agreement itself and the es-
18 tablishment of the joint economic committee, I cannot
19 expand on the committee itself any further than the
20 two documents I have shown here, but when we consider
21 the plans of the Planning Board and the plans of the
22 Japanese Ministry of War, which include plans for the
23 development of Manchuria, I can assume with surety
24 that under the provisions of this committee the opera-
25 tion of the plans was assured.

LIEBERT

CROSS

1 Q Do you remember, Mr. Witness, the date of the
2 establishment of the Planning Board?

3 A May 17, 1937.
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

LIEBERT

CROSS

D
u
d
a
&
B
a
r
t
o
n

1 Q I now turn to document 9022, at the top of
2 page 1. It is marked "Top Secret." And on page 4,
3 middle of the page, I quote: "Pursuant to the deci-
4 sion of the ministerial conference. . ."

5 THE PRESIDENT: What is the number of the
6 exhibit, Counsel USAMI?

7 MR. USAMI: 9022, your Honor.

8 THE PRESIDENT: That is the prosecution docu-
9 ment number.

10 MR. USAMI: Oh, I am sorry. 852.

11 Q I now quote another page further on, page 17,
12 second paragraph. I quote: "It is, therefore,
13 desired to carry into effect the outline for the
14 issuance of military currency notes as enclosed herein
15 upon approval by the Prime Minister, the Minister of
16 Finance, the War Minister and the Navy Minister."

17 Did you find any other documents or any
18 source of information to show that this top secret
19 matter was taken up by the cabinet meeting? I mean,
20 prior to the outbreak of the Pacific War.

21 A Do you mean, have I seen any other documents
22 which would indicate that this entire series of com-
23 munications was made a matter of hearing or discussion
24 before the assembled cabinet?

25 Q Well, what I want to know is if this matter

LIEBERT

CROSS

1 of issuance of military currency notes was discussed in
2 the cabinet meeting or not. I mean, the essence of it.

3 A I cannot say. All I know concerning these
4 secret communications is what appears in the com-
5 munications themselves.

6 MR. USAMI: That concludes my cross-examination.
7 Thank you, Mr. Witness.

8 THE PRESIDENT: Mr. Smith.

9 CROSS-EXAMINATION (Continued)

10 BY MR. SMITH:

11 Q Mr. Liebert, in paragraph 28 of your report,
12 exhibit 840, you say that Japan has a plentiful supply
13 of coal. Were you referring to resources in coal or
14 operating mines in Japan proper?

15 A I was referring to resources in Japan proper.

16 Q Are you aware of the fact that during the ten-
17 year period from 1931 through 1941 that the coal pro-
18 duction in Japan had never been able to keep up with
19 the demand?

20 A Japan never had enough coking coal. That had
21 to be imported, usually from China. The coal which
22 we refer to generally as a supply for a normal, economy
23 in Japan was what I had reference to, and in consider-
24 ation of exports of certain low-grade coal which Japan
25 made to the continent in exchange for other commodities.

LIEBERT

CROSS

1 We speak of a supply of coal for normal industrial
2 periods.

3 Now, during the year you indicate, or years
4 you indicate, industrial expansion, particularly of
5 steel, shot up tremendously, thus requiring enormous
6 imports of coking coal and special kinds of coal.
7 Heavy industries are not normal to the economy of
8 Japan, because they do not relate to the natural
9 resources. As these heavy industries expanded, it
10 called for more and more coal and, hence, an expan-
11 sion of the coal industry, the opening of new mines,
12 and so forth.

13 Q The only coal which is indigenous to Japan
14 proper is a low-grade coal high in volatile matter,
15 that is to say, in sulphur and other gaseous substances,
16 and also contains non-combustible material, and a
17 high percentage known as slate; is that right?

18 A That is substantially correct.

19 Q And none of the coal indigenous to Japan
20 proper is what is known as coking coal, is that right?

21 A That is correct.

22 Q And the only coal which is suitable for the
23 making of steel and iron is a coking coal, is that
24 right?

25 A Yes, and this is usually imported.

LIEBERT

CROSS

1 Q Well, if all of that coking coal is imported,
2 how would the opening of new mines in Japan proper
3 contribute to the war potential?

4 A The iron and steel industry is the one which
5 uses this high-quality coking coal, as we say; but the
6 ordinary coal in Japan is very satisfactory for other
7 industrial purposes requiring heat. For instance,
8 Japan even tried to make synthetic petroleum from coal.
9 And many war industries, so-called war industries, use
10 coal -- other than iron and steel -- for which the
11 coal indigenous to Japan is very satisfactory.

12 I think perhaps the best answer to that
13 question is the one which is found in the plans for the
14 stimulation of essential war production, in which coal
15 is set out as one of the important minerals, the
16 production of which is to be stimulated.

17 Q Are you familiar with the fact that the coal
18 indigenous to Japan is used only for steam and heating
19 purposes, and for no other purpose?

20 A Well, I have said they attempted to make
21 synthetic petroleum from it, and steam and heating
22 purposes covers just about the whole gamut of uses
23 of coal except for open-hearth or blast furnaces in
24 the manufacture of steel.

25 Q Japan imported substantial quantities of

LIEBERT

CROSS

1 coking coal from Manchuria, North China and Indo-China
2 during all of the ten-year period from 1931 to 1941,
3 is that correct?

4 A That is correct.

5 Q I will give you some rough figures and see
6 whether it tallies with your recollection. Imports
7 from Manchuria, China, and Indo-China, 1926, '27 and
8 annually through 1932, about 2,600,000 British long
9 tons; that is, 2240 pounds to the ton.

10 A I don't recollect, but those figures are not
11 out of proportion with what they might have imported.

12 Q 1936 through 1939, 4,000,000 tons annually.
13 Does that tally with your recollection?

14 A That could be substantially correct.

15 Q And only coking coal is suitable for the pro-
16 duction of gas, is that right?

17 A It is usually simultaneous operation. You
18 take the coke and get the gas as a residuary.

19 Q Are you aware of the fact that houses in
20 Japan have been heated, in the main, by charcoal up
21 to this time since time immemorial?

22 A That is correct, as far as I recall.

23 Q Well, I want to go back to my original ques-
24 tion and ask you whether or not the demand for coal,
25 that is, coal indigenous to Japan, has always exceeded

LIEBERT

CROSS

1 the supply?

2 A The demand for coking coal has exceeded the
3 supply because there isn't much here in Japan.
4 But we were talking a moment ago in terms of
5 2,000,000 tons of coking coal. I would like to point
6 out the expansion plan for the production of coal in
7 Manchuria, which is appended to exhibit 842, provides
8 that the goal to be reached in 1941 for the production
9 of coal in Manchuria alone was over 78,000,000 tons.
10 I only mean to call attention to the fact that in
11 this problem which is so enormous we have to consider
12 proportions.

13 Q Isn't it a fact that after 1931 the expanding
14 economy in Manchuria consumed within Manchuria sub-
15 stantially all the coal they were able to produce,
16 outside of minor exports to Japan proper?

17 A Yes, a great proportion of the coal mined
18 in Manchuria was used in Manchuria because that is
19 where a great deal of the heavy industry was being
20 built up.

21 Q If Japan were shut off from coking coal in
22 China, Indo-China and Manchuria, where else in the
23 world could they go to get a sufficient supply of it?

24 A Well, we have coking coal in the United States;
25 England has it; they have it in the Ruhr Valley; many

LIEBERT

CROSS

1 places in the world have coking coal. But Japan doesn't
2 have enough of the coking coal to supply her normal
3 needs, particularly her expanded heavy industrial needs.

4 Q Well, my point is, with the exception of the
5 coal in the Ruhr, the only other coking coal in the
6 world was in the hands of the Allied Governments
7 during the Pacific War, isn't that right? I am
8 talking about operating mines, now. The Allies owned
9 it all except what was in the Ruhr Valley, is that
10 right?

11 A I am afraid I don't understand the question.
12 But Japan got her coal, and got her coal during the war,
13 from those territories which were occupied by her and
14 adjacent to those territories occupied by her. She
15 didn't get any, certainly, from the United States or
16 Great Britain.

17 Q No leading power in the world can fight a
18 modern war without an adequate supply of coking coal,
19 is that right?

20 A Well, they all have it for the iron and
21 steel industries. I don't know whether it is possible
22 to manufacture enough steel from the electric pro-
23 cesses or not. But I think we can classify coal as a
24 critical war material.
25

LIBERT

CROSS

...
o
l
f
2.
v
o
l
d
c
n

Q I want to go over briefly to the electric industry and ask you if by the year 1935 ninety-one per cent of all residential and industrial buildings in Japan proper were lighted by electricity?

A I think that figure is reasonable.

Q If you refer now to your chart on page 7-A of exhibit 840, it shows in the bottom box a fairly steady consumption of electricity for electric light and household appliances from 1935 through 1941. My question is, what is the point of your statement last week in which you, as I understood, said that the rearmament was carried on at the expense of household electricity and the ordinary people in Japan? Would you explain that?

A We would normally expect that when a government or a country spends millions -- hundreds of millions -- of yen or dollars or any monetary unit for the expansion of electric power which has such a wide distribution in the homes, for the conveniences and use of the people, that they would get some additional benefits from this expenditure.

THE PRESIDENT: Did the population increase over that period of six years?

THE WITNESS: Not sufficient, Mr. President, to make any difference in the point. I wish to illustrate.

LIEBERT

CROSS

1 THE PRESIDENT: With the increase in
2 population and the increase in the number of homes
3 you would expect an increase in the electricity.

4 THE WITNESS: One might also expect that
5 with the increase of electricity available in the
6 country that there would be more household appliances
7 and a greater consumption of electricity by the
8 people.

9 THE PRESIDENT: Was there an increase of
10 population over those years?

11 THE WITNESS: I have here the --

12 THE PRESIDENT: You may look at it during
13 the recess.

14 BY MR. SMITH (Continued):

15 Q Are you familiar, Mr. Liebert, with the
16 fact that during the past, that is, for twenty years
17 before 1941, that there was most of the time a sur-
18 plus of electric power in Japan?

19 A I don't know what you mean by a surplus of
20 electricity in Japan, Mr. Attorney.

21 Q Well, ever since at least 1900 the electric
22 power industry in Japan has been based on water power,
23 is that right -- that is, generated from water power?

24 A There are normally about six months out of
25 the year when the water flow is insufficient to carry

LIEBERT

CROSS

1 on the electrical power industry and that is made
2 up by thermal electrical units here which use mostly
3 coal in their operation.

4 Q I want to go on to another subject. Japan
5 has no cotton, is that right?

6 A That is correct.

7 Q At the same time it built up a large
8 textile industry for the weaving of cotton goods,
9 is that correct?

10 A That is correct.

11 Q Japan has only negligible quantities of
12 wool?

13 A That is correct.

14 Q Japan has practically no salt which is in-
15 dispensable for her as a foodstuff and also for the
16 chemical industry, particularly the making of paper;
17 is that right?

18 A Japan imports most of her salt because it
19 is cheaper to do so. There are no natural salt
20 deposits in Japan of any consequence.

21 Q Japan has only negligible quantities of
22 wood pulp?

23 A No, but she preferred to import wood pulp.

24 Q Well, on the subject of wood pulp, what
25 Japan had came from northern Sakhalin Island, is that

LIEBERT

CROSS

right?

1 A It was thought better to import wood pulp
2 and Japan was a substantial importer of wood pulp
3 before the war. Some of it came from Sakhalin and
4 some from other parts, a lot from Korea.

5 Q Prior to 1941 Japan had built up a substan-
6 tial industry in rubber goods, the imports of which
7 came mainly from the Netherlands East Indies and the
8 Strait Settlements; is that correct?
9

10 A That is correct.

11 Q The iron ore found in Japan proper, also in
12 Korea, is of an extremely low grade; is that right?

13 A That is correct.

14 Q And substantially all the iron ore was
15 imported. Do you recall what countries it came from
16 before 1941?

17 A Part of it came from China and French Indo-
18 China.

19 Q Do you agree that iron and steel scrap is
20 indispensable to steel manufacture under present
21 conditions?
22

23 A From an industrial point of view, that is
24 true.

25 Q From 1931 through 1940, at which time I
 believe the United States embargoed the shipment of

LIEBERT

CROSS

1 scrap to Japan, Japan was a heavy importer of iron
2 and steel scrap from the United States and India;
3 is that correct?

4 A That is correct.

5 Q In your statement you said the potential
6 of Japan and the production of petroleum was about
7 ten percent of her normal requirements. What year
8 were you taking as a normal year in making that
9 calculation?

10 A That was an average estimate, a rough
11 estimate I will say, of the years preceding 1934.

12 THE PRESIDENT: We will recess for
13 fifteen minutes.

14 (Whereupon, at 1445, a recess
15 was taken until 1500, after which the pro-
16 ceedings were resumed as follows:)
17
18
19
20
21
22
23
24
25

LIEBERT

CROSS

G
o
l
d
b
e
r
g
&
S
p
r
a
t
t

1 MARSHAL OF THE COURT: The International
2 Military Tribunal for the Far East is now resumed.

3 THE PRESIDENT: Mr. Smith.

4 BY MR. SMITH (continued):

5 Q Have you finished your answer, Mr. Liebert?
6 Had you finished your answer? Well, never mind. We
7 will go on to something else here.

8 During the nine years from 1931 through the
9 oil embargo for 1940, ninety per cent of all Japan's
10 petroleum requirements were obtained from the United
11 States and the Dutch East Indies, is that correct?

12 A That is substantially correct.

13 Q Do you agree that a modern war of either
14 defense or offense cannot be fought without petroleum?

15 A I believe that is generally conceded by the
16 militarists.

17 Q Despite intensive cultivation in Japan proper
18 and its territories and the intensive use of ferti-
19 lizers, Japan has never been self-sufficient in food-
20 stuffs, is that correct? I am referring now to the
21 ten-year period 1931-1941.

22 A Owing to deficiencies Japan proper imported
23 foodstuffs.

24 Q That was roughly about twenty per cent
25 annually, would that be a fair average?

LIEBERT

CROSS

1 A That might be a little high. I would say
2 fifteen.

3 Q Are you familiar with the fact that nearly all
4 the house construction in Japan, that is the principal
5 building material is lumber?

6 A That is so.

7 Q And during the ten-year period before 1941
8 Japan was a substantial importer of timber, is that
9 correct?

10 A Yes, Japan imported lumber.

11 Q Well, they imported lumber in substantial
12 quantities principally from Canada, is that correct?

13 A She imported from outside the Empire, so-
14 called Empire, from Canada and the United States, yes;
15 and she imported some from Manchuria, some heavy
16 timbers from Saghalin.

17 Q In March 1933 the Japanese Diet passed a
18 Foreign Exchange Control Law. Are you familiar with
19 the fact that between 1927 and 1935 thirty-three
20 governments in the world, because of the depression
21 and dislocation of international trade and the necessity
22 of marshaling and controlling foreign exchange, found
23 it necessary to pass foreign exchange control laws?

24 A I recall that during that period some nations
25 passed laws which were generally classified as foreign

LIEBERT

CROSS

1 exchange control.

2 Q Do you recall that the largest part of the
3 world was locked up in exchange controls between 1927
4 and 1935? I am not talking about a few nations, but
5 many of them.

6 A I think that can generally be said to be so.

7 Q Well, how then do you associate a natural
8 phenomenon with the preparation for war of aggression?

9 A Well, I think this all comes down to the
10 general proposition which we have discussed all through
11 the memorandum. It must be understood that Japan had
12 an economy, that it had to support that economy in
13 relation to the existing economies of the other nations
14 of the world; and that certain of the acts which the
15 Japanese Government did closely paralleled the acts of
16 other nations. But it is in the abnormality of the
17 application of certain laws and the abnormality of
18 the laws themselves which I think, when coupled with
19 events and plans for war, must show these acts in a
20 different light than the acts of other nations.

21 Q What was abnormal about the Japanese Diet
22 passing a foreign exchange control law in the circum-
23 stances and conditions of 1933?

24 A In 1933, when we considered a foreign ex-
25 change control law in itself and disassociated from

LIEBERT

CROSS

1 other acts and other laws, there is nothing wrong
2 with it; but, as I have said, the powers given were
3 not completely invoked until January 8 in 1937. At
4 that time we began to see a restriction of foreign
5 exchange into certain channels, and those channels
6 were funnels of foreign exchange into the purchase of
7 commodities which were for the purpose of preparing
8 heavy industry or those industries we have called war
9 industries. We see severe restrictions on the use of
10 foreign exchange for those commodities which we would
11 normally consider economies good for the nation as a
12 whole and the people, a normal use of foreign exchange.
13 The licensed purchases which were allowed under these
14 foreign exchange measures beuilt up artificial in-
15 dustries which were, in my opinion, not indigenous
16 of Japan, nor would they naturally result in profit
17 to Japan. For instance, under Class A of the materials
18 to be restricted from import, we have the leading peace-
19 time materials, some of which you have cited, such as
20 cotton, wool, wood pulp, wood for houses, rubber.
21 These imports were severely curtailed from the normal
22 levels. It was because of these facts that I felt
23 there must be something wrong in the control policy
24 of foreign exchange control, policy which led to an
25 investigation which resulted in the production of this

LIEBERT

CROSS

plan for building up a war industry.

1 Q You said the Foreign Exchange Control Law
2 was not fully utilized until 1937, as I understood
3 you. Is it possible you have that law confused with
4 a separate law which was passed by the Japanese Diet
5 on September 10, 1937, Law No. 92 providing for export
6 and import, temporary management law, which became
7 necessary after large-scale fighting broke out in
8 China?

9 A No, I haven't confused the two laws. The
10 Foreign Exchange Control Law provided for the control
11 of foreign exchange as such, and the temporary control
12 of imports and exports law was set up to create an
13 import licensing system. There was thus a sort of
14 two-headed control over imports: one, the licensing
15 of the money to be purchased, for an exchange to be
16 purchased; and another was a direct licensing of
17 commodities which might be brought in after the ex-
18 change had been purchased.

19
20 Q Law No. 92 of September 10, 1937 was a
21 temporary wartime expedient. Is that right?

22 A It was indicated that it was such when the
23 law was passed, but it became very permanent and, to
24 the best of my knowledge, is still in existence.

25 Q At the time Law No. 92 of September 10, 1937

LIEBERT

CROSS

1 was passed, it contained a provision that the powers
2 granted should cease within one year after the termi-
3 nation of the China Incident, is that correct?

4 A It contained that provision.

5 Q Now the Foreign Exchange Control Law of
6 1933 was a peacetime expedient, is that correct?

7 A I would say that it could be considered as
8 such by itself, but in these laws we must consider
9 the application of them later on where their existence
10 made it most convenient later on to apply these laws
11 for a different purpose.
12
13
14
15
16
17
18
19
20
21
22
23
24
25

LIEBERT

CROSS

G
r
e
e
n
b
e
r
g
&
E
d
e
r

1 Q In exhibit 840, your statement, you point
2 out that when Japan built her refineries, especially
3 cracking plants, she located them in out of the way
4 points, and you say that was significant. Would you
5 tell us where those points are that the main refin-
6 eries were built?

7 A Those refineries were built along the west
8 coast of Japan, so they would be available to the
9 imports of crude from the East Indies. I recall
10 reading, I can not at the moment recall the exact
11 place, that these plants were dispersed by the
12 orders of the Army and the Navy. However, I have a
13 chart in my office showing the location from an air
14 plot, of these various refineries. I can't name the
15 cities at the moment. I am sorry.

16 Q Well, all of the imports of crude from the
17 East Indies came into ports on the west side of Japan
18 proper. Is that correct? I mean in the normal
19 course of business.

20 A That is the information I have, as my re-
21 collection serves me.

22 Q And these refineries were built right near
23 the ports of unloading. Is that right?

24 A They were built generally on the west coast.

25 Q What is the point of your statement that

LIEBERT

CROSS

1 it was significant that they were located in out of
2 the way points? I don't quite understand what is out
3 of the way about that, when they were built near the
4 port of unloading.

5 A It is my intention in using that choice of
6 words -- merely that those plants were built at
7 the direction, as I was given to understand, of the
8 Army and the Navy, and were so located that they would
9 be protected as much as possible from observation and
10 from possible attack.

11 Q And you make that last statement although
12 Japan proper at its widest point is only 250 miles
13 wide.

14 THE PRESIDENT: "Out of the way" is a rela-
15 tive term, of course, always.

16 Q (Continuing): Bearing on your statement that
17 you and others took 1931 as your normal average year
18 in Japan, I would like to read a statement to you and
19 have you answer whether it is correct, or substantial-
20 ly correct. "The year 1929 was a turning point in
21 Japan foreign trade, which entered a period of severe
22 depression affecting both exports and imports. The
23 removal of the gold embargo led to an over-valued
24 condition of Japanese currency, which the government
25 endeavored to overcome by a policy of consistent

LIEBERT

CROSS

1 deflation. The result of foreign trade in 1931
2 showed a decrease of about 47 percent in exports
3 and of over 44 percent in imports compared with
4 1929, the total value of exports and imports declin-
5 ing by nearly 2 million yen in comparison with 1929.
6 The main cause of the sharp decline in the trade of
7 1931 was the extraordinary recession in prices, which
8 averaged about 45 percent compared with the year 1929,
9 whilst the volume was only about 3 percent less and,
10 indeed, showed an increase over the figure of 1930."
11 Is that statement substantially correct?

12 A I think we can say that statement is sub-
13 stantially correct.

14 Q Well, do you still adhere to your answer
15 that 1931 should legitimately be considered as a
16 normal year for your figures?

17 THE PRESIDENT: Based on production or
18 prices, which? It makes all the difference.

19 Q I meant to say both, Your Honor, both on
20 production and prices. You can answer that question
21 in two parts: first, production, and secondly,
22 prices.

23 A Well, for an answer to that question, you
24 can't dissociate them, for you have to consider them
25 both together.

LIEBERT

CROSS

1 THE PRESIDENT: You have been talking
2 about productivity, and, according to the statement
3 read to you by counsel, there has been very small
4 reduction, if any, in that.

5 MR. SMITH: Well, Your Honor, what I read
6 is only one part of what I intended to read to him.
7 It was such a lengthy quotation I stopped there.
8 But there is more to this picture. I would like to get
9 him to answer on what I have already said.

10 THE WITNESS: As I have said before, I
11 have selected the year 1931 for several reasons. It
12 is an arbitrary date; number 1; number 2, it follows
13 a period of reorganization, let us say, Japan going
14 completely off the gold standard to effect reorgani-
15 zations in her internal economy. It is a year that
16 allows Japan to make certain adjustments in her
17 foreign trade relations because of that going off
18 the gold standard; at the same time, I think it be-
19 gins a pickup after the world-wide depression, which
20 is indicative of many things, particularly a good
21 place to begin a survey. And I think we must also
22 consider again that the word "normal," or what we
23 consider normal, is a relative term, to be used by
24 many people in different senses when we consider a
25 problem of this scope.

1 Another reason why I have called it a
2 normal year is because I do not feel that there is,
3 so far as I can see, any evidence that Japan began
4 an industrial preparation for war in a general
5 sense before 1936. I think it was important that we
6 give a survey of what happened for the few years
7 preceding that date, so the Tribunal could make up
8 its own mind on these matters. I think we can say
9 that in 1931, at least by the end of 1931, beginning
10 of 1932, the depression was over in Japan.
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

LIEBERT

CROSS

1 Q I wanted to ask you if it is not a fact that
2 Japan did not begin to pull out of its economic de-
3 pression until late in 1932.

4 A Well, again, that is relative, Mr. Attorney.
5 It will differ a great deal among writers or among
6 what you or I see as evidence.

7 Q Well, it makes a radical difference when
8 you talk about reduction figures in prices, I mean a
9 lapse of a whole year, doesn't it, and during condi-
10 tions such as existed during the depression?

11 A Well, as I have shown you this morning, the
12 retail prices remained relatively constant from 1931
13 on up to about 1935. This is indicative of a certain
14 normalcy or a certain balance, on the charts which I
15 have shown you, or production charts, et cetera. I
16 think you can begin any place from 1931 up to '41 and
17 see those advances in productivity. Some in the early
18 years, if you wish to consider it so, may be consid-
19 ered normal increases for an expanding economy coming
20 out of a depression. But, in the light of the ad-
21 mittedly national defense legislation and the plans
22 dating back to 1937, we must reconsider the end of
23 productive activity, and we see a new element, the
24 element of stimulation of certain classes of indus-
25 tries at the expense of the others, namely, the

LIEBERT

CROSS

1 advance of the war and war-supporting industries
2 at the expense of the peace industries. We have to
3 consider all of these elements in making any kind of
4 a statement of this sort.

5 Q I'd like to get back to whether 1931 was a
6 normal year and read to you further and ask you
7 whether it is a correct statement. Referring to the
8 decrease in exports and imports, I am reading now:
9 "Industry was severely affected by this shrinkage,
10 and conditions were aggravated by the decline in
11 domestic purchasing power on account of the de-
12 pressed state of Japanese agriculture." Is that
13 correct?

14 A So far as it goes, I think those statements
15 by themselves can be taken as reasonably correct.

16 Q Throughout your report, exhibit 840, you
17 called attention to the dearth in Japan of strategic
18 and critical materials which were needed for the
19 fighting of a modern war, and the effort of Japan
20 to become self sufficient in those strategic and
21 critical materials -- all of them would have been
22 necessary if Japan had been engaged in a war of self-
23 defense, is that right?

24 A The same materials are materials -- war
25 materials whether it is a war for self-defense or a

LIEBERT

GROSS

war of offense. That's true.

1 Q Well, if the same preparation would have
2 been necessary irrespective of whether it was a
3 war of defense or offense, why, throughout your
4 report, do you describe these preparations as acts
5 of aggression tying into a war machine and a totali-
6 tarian scheme?

7 A I think I referred to them as war prepara-
8 tions and war potential and war industries. I
9 don't think I ever stated that this preparation was
10 in preparation for aggressive warfare. Those are
11 conclusions for other people.

12 Q When you began your work on this report
13 about six months ago, you were told that you were
14 to prepare -- in substance, you were told that you
15 were to prepare an economic report showing Japan's
16 aggressive designs, is that right?

17 A No, that's not exactly correct. I was
18 asked to prepare a statement concerning the economic
19 and industrial and financial preparation for war on
20 the basis of facts as I found them, and I was to
21 put them in the statement which you have here.

22 Q Are we to understand that you entered upon
23 this work with the idea of making an impartial rep-
24 resentation of all the facts which had a bearing on
25

LIEBERT

CROSS

1 the position of Japan in its preparation?

2 A I was asked to prepare the statement. And
3 if I found, on the basis of the facts as I saw
4 them, that these indicated --

5 MR. SMITH: I think, your Honor, with one
6 more question I can terminate this examination.
7 I understand I am the last counsel.

8 A (Continuing) If these facts indicated
9 preparation for war, I was to include them in the
10 statement, which I have done. I came to the con-
11 clusion that there was a preparation for war, and
12 that has tempered my statement here. I think it is
13 inescapable.

14 THE PRESIDENT: Was there any substantial
15 increase in Japan's population during the five
16 years before 1941?

17 THE WITNESS: The last figure, Mr. Presi-
18 dent, that is disclosed in the Japan Year Book of
19 1942 was the year 1938. I have totaled the figures
20 by myself from the years 1932 to 1938 which show an
21 increase in population of approximately six and
22 one-quarter million.

23 MR. SMITH: Your Honor, that is all I
24 have to ask. But, since I spoke, I understand from
25 Mr. Logan that maybe one additional counsel will

LIEBERT

CROSS

1 cross-examine tomorrow morning.

2 THE PRESIDENT: We will adjourn now until
3 half past nine tomorrow morning.

4 (Whereupon, at 1603, an adjourn-
5 ment was taken until Tuesday, 29 October
6 1946, at 0930.)

7 - - -
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25